



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

THE FUTURE OF AMERICA'S FOREIGN TRADE

BY THEODORE H. PRICE,
New York.

The future of any trade or business is dependent upon two factors that are fundamental. One is the cost of producing the things that are to be sold, and the other is the need for them and the purchasing power of those who are likely to feel that need.

In regard to America's ability to produce the raw material, of which two-thirds of our export trade has hitherto been composed, at a cost which will enable us to compete successfully with the rest of the world, there can be little doubt.

We shall doubtless continue to be able to produce cotton, corn, wheat, tobacco and other agricultural staples just as cheaply as they can be grown elsewhere.

There is a fear that after the war is over, and the millions of men now at the front have returned to peaceful industry, we shall be unable to compete with the cheap labor of Europe, and that in consequence we shall lose whatever trade in manufactured goods we may have been able to develop during the military preoccupation of Germany, France and England, who are our chief competitors. It is because of this fear and upon this theory that the voice of the Protectionist is already heard in the land, urging that a high tariff shall be re-enacted so that our home demand may at least be preserved for American industry.

Whether the apprehension that is professed with regard to the possible effect of the war in reducing the cost of manufacturing abroad is justifiable, it is difficult to say. We are facing unprecedented conditions, and the outcome is almost beyond human ken. It has been calculated that if the war lasts a year, or until the first of August next, the national debt of the belligerent nations will approximate \$42,000,000,000. Adding to this the indebtedness of cities and other political sub-divisions of the countries at war, there is a total of probably not less than fifty billions of dollars, the interest on, and amortization of, which will have to be provided for

by taxes, which will be laid upon an aggregate population of about 350,000,000 persons. This population, therefore, faces an indebtedness of about \$150 per capita.

The United States Department of Commerce has just completed an investigation into the national, state and municipal indebtedness of the United States. Its figures indicate that the total political debt of this country less sinking funds, *i.e.* net debt, is \$4,850,460,713. This debt is distributed as follows:

Federal.....	\$1,028,564,055
States.....	345,942,305
Counties, cities, etc.....	3,475,954,353
	<hr/>
	\$4,850,460,713

The total is equal to about \$48.50 per capita for a population estimated at one hundred millions.

This comparison between the political debt of Europe and that of the United States is introduced because it brings into relief the most important question to be considered in connection with the future, not only of American trade, but of trade throughout the world. This question briefly stated is: Are the people of Europe willing and able to submit to the heavy taxation which will be necessary to support the integrity of the enormous debt with which the war has saddled them and their posterity? If not, a partial or entire default will occur, and the result will be general financial demoralization, which will restrict trade throughout the world, whether it be intranational or international.

There are, however, two different methods which may be followed by nations which find themselves unable to meet their political or national debts. One is direct repudiation and formal refusal to pay. The adoption of this method seems unlikely. The other is inflation, or the legalization of an irredeemable paper currency, which gradually depreciates in value as compared with real property and so defers or gradually wipes out the obligations of the issuing government to its creditors. Unless this paper currency be ultimately redeemed in gold, the effect is a cancellation of the obligations of the debtor to the creditor class and a confession of practical bankruptcy.

As a matter of fact, gold is now at a premium in all the countries

of Europe, and although specie payment is nominally maintained in Great Britain, it is conceded that unless the war is soon ended a suspension of the Bank Act will be necessary to protect the reserve of the Bank of England, which is already down to less than 19 per cent.

To the practical mind, the immediate future of America's trade as affected by the war is, therefore, largely dependent upon the effect of European inflation upon trade in general.

Fortunately, we are not without precedents in considering the effect of inflation. It has been frequently resorted to. In nearly every case it has given a fevered impulse to speculation and has advanced the price of commodities and labor very rapidly. In his book on *Crises and Depressions*, Senator Burton says:

As affecting crises, inflation of the currency stimulates the speculative fever and promotes unprofitable enterprises. It is particularly true that, if irredeemable paper money is issued in any considerable quantity, prices are sure to rise. An unnatural rise in prices is the most fruitful parent of injudicious investment. Investors do not stop to think that while an article may bring many more dollars than before, the dollar has not the same purchasing power. The result of inflation was never better illustrated than in the period during and after the late Civil War. An increase in nominal values was caused by the large increase in paper money. This created a desire for new and, in many cases, useless undertakings. In the eight years from 1866 to 1873, inclusive, a greater mileage of railways was built than from the completion of the first railway in the United States in 1830 to the end of 1865. Many of these were commenced after the premium on gold had fallen, and prices were more nearly normal; but the buoyant spirit of enterprise, which had been stimulated by rising prices and unusual profits, still continued, and resulted in the severest crises this country ever experienced.

If the experience of the United States during the time when gold was at a premium here is a precedent upon which we may base a prophecy as to the effect of similar conditions in Europe, it seems reasonable to expect that the next four or five years will be a period of advancing prices for both commodities and labor in Europe, and that this advance will enormously stimulate speculation in the purchase of both necessary and unnecessary things.

Beyond this, no one, who has respect for his own reputation, or a consciousness of his mental limitations, can undertake to forecast the future, and even a prediction which looks no farther ahead than four or five years, implies no little temerity in him who attempts it. It may be remarked, however, that in the past, one effect of inflation has always been to permanently advance the wages of labor in the

country where it prevailed, and that thereafter it has been found difficult, if not impossible, to reduce them, even though specie payment was ultimately reëstablished. The inflation of our currency during the Civil War greatly advanced the wages paid for all sorts of human energy, and they have never since been seriously reduced, although the purchasing power of the "Green-back" dollar was greatly increased by the disappearance of the premium on gold and the final resumption of specie payment in 1879.

It may therefore be possible, and it seems not improbable, that the effect of inflation in Europe will be to permanently raise wages there and so dispel the fear that we shall be unable to meet the competition of the "pauper labor of Europe" in supplying the domestic, as well as the foreign, demand for our manufactured goods.

What may happen when the "Butcher's bill" comes to be paid, if it is ever really paid, with things of value that are the product of human energy, I confess myself unable to foresee. The war promises to unloose so many social, political and financial factors that have hitherto been inoperative or suppressed, if not unthought of, that only a rash philosopher would be bold enough to dogmatize with regard to the distant future.

That future may reveal to us the existence of a "fourth dimension" in political economy, that we are at present unable to visualize, and it may be that with an expanded vision we shall be able to see that the progress of humanity has been helped rather than hindered by a struggle which has thus far disappointed the pessimists and defied the economist in its effect upon America's affairs.

Since the foregoing was written, the following correspondence of the Associated Press, dated London, April 17, has been published in the *New York Times* of April 28. It indicates that the advance in wages which is nearly always incidental to great wars has already commenced to be felt.

War as a wage raiser has brought to a considerable proportion of the laboring classes in England some compensation for the increased cost of living. Social workers estimate that the increased cost of living average is at least 10 per cent while the average increase in wages is not over 5 per cent. The plentiful supply of overtime work available in most trades makes it easy for most workmen to more than even matters.

The upward tendency of the English workingman's wages was very marked in March. According to the official Board of Trade reports, the increases granted

during the month reached a total of nearly \$365,000. The number of work-people who shared the increases was 440,000.

Increased wages in some of the leading branches of industry are summed up briefly as follows:

Railwaymen—All around increase of 75 cents a week.

Longshoremen—Increases varying from 25 cents to \$2 a week.

Policemen—War bonus of 75 cents a week upward.

Carpenters—War bonus of \$1 to \$1.50 a week.

General Laborers—Increase of 75 cents to \$1.50 a week.

Miners—Employers generally offer 10 per cent advance in pay; miners demand 20 per cent.

Postal Employes, including Telephone and Telegraph Workers—Increase of \$1 a week has been demanded.

Gas Workers—Increases averaging \$1 a week.

Bakers—Increase of \$1.25 a week asked, but employers' offer of 75 cents accepted pending negotiations.

Textile Workers—Bonus for overtime work in factories doing work on army clothing.

Boot and Shoe Workers—War bonus of 5 to 10 per cent granted in some places.

Coopersmiths—Average wage before war, \$9; now \$12.50.

Clerks—Some increases; 180,000 grocers' assistants have asked a readjustment of wages; similar movements pending in other branches.

Engineering and Building Trade Workers—Some sections have secured substantial increases.

The number of unemployed in Great Britain shows a large falling off the past February and March as compared with the corresponding months of last year. The Board of Trade's labor gazette prints statistics from the government's 403 labor exchanges, according to which there were 87,004 names on the register last month as against 100,616 for February and 123,714 for March of last year.

The number of vacancies in employment reported to the exchanges also shows an increase over the late winter of 1914, having a daily average of 5,746, or a hundred more than the average for February and 1,600 more than the average for March of last year.

London passed through the winter with fewer cases of destitution demanding relief from the Poor Funds than any winter within the memory of the present Poor Law officials.